

Environmental Assessment (Draft)

November 17, 2004

Proposed Action: Minerals Management Service to Grant Suspension of Operations for Venoco, Inc.'s Cavern Point Unit (Leases OCS-P 0210 and 0527)

Operator: Venoco, Inc.

Area: Eastern Santa Barbara Channel,
Offshore Ventura County, California

Responsible Agency: Minerals Management Service
Pacific OCS Region
Office of Environmental Evaluation

Abstract: The MMS proposed action is to grant a Suspension of Operations for Venoco's Cavern Point Unit for a period of 13 months. A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct leaseholding operations [Suspension of Operations (SOO)]." An SOO or SOP provides an extension of a lease in certain circumstances (see 30 CFR §250.172-175). In this case, the suspension would allow Venoco 13 months to update and resubmit their Exploration Plan (EP) and to complete the interpretation and analysis of seismic data from previous surveys, and submit this information to MMS for subsequent technical and environmental review. MMS would approve, require modification, or disapprove the plan. All of these administrative activities would be completed by Venoco and/or their consultant(s) in an office setting and involve no physical activities on the unit itself. Since there are no impact-producing agents associated with Venoco's proposal, there would be no environmental impacts.

How to Comment: MMS requests that you submit your comments electronically via *Public Connect*, MMS's on-line commenting system. If you do not have access to the internet, you may submit comments by mail. MMS no longer accepts comments by email.

Comments To Be Received By: December 16, 2004

Comment On *Public Connect* At: <http://ocsconnect.mms.gov>

By Mail: Minerals Management Service
Attn: Suspension—EA Comments
Office of Environmental Evaluation
770 Paseo Camarillo
Camarillo, CA 93010-6064

For further information, contact: Maurice Hill, Environmental Coordinator, Minerals Management Service, 770 Paseo Camarillo, Camarillo, CA 93010; (805) 389-7815

Environmental Assessment (Draft)

Venoco, Inc.

Cavern Point Unit

Leases OCS-P 0210 and 0527

1 Introduction

On June 20, 2001, the U.S. District Court for the Northern District of California (hereinafter referred to as the Court) issued a ruling in *California v. Norton* (No. C 99-4964 CW, Northern District of California) ordering the Minerals Management Service (MMS) to provide a reasoned explanation for its reliance on the categorical exclusion and the inapplicability of the extraordinary circumstances exceptions in granting certain suspensions¹. MMS has decided to forego reliance on the categorical exclusion for the suspensions in this case in favor of preparing Environmental Assessments (EA's). On February 26, 2004, the Court ordered the Federal Defendants to propose a timetable for completing their analyses of applications for suspensions filed by the operators for nine units and one non-unitized lease offshore southern California, and for submitting consistency determinations to the State of California under the Coastal Zone Management Act (CZMA). On June 28, 2004, the Court adopted the proposed timeline which included the time for the MMS to prepare six EA's to analyze the environmental impacts of granting the suspensions.

This EA covers the Cavern Point Unit operated by Venoco, Inc. (hereinafter referred to as Venoco). The Unit is located in the eastern Santa Barbara Channel offshore Ventura County (Figure 1-1) and it is described in the background section, below.

1.1 Need for the Proposed Action

MMS's Need: Pursuant to the Outer Continental Shelf Lands Act (OCSLA), as amended, the MMS is required to balance expeditious and orderly mineral resource development with the protection of the human, marine, and coastal environment. If MMS grants a Suspension of Operations (SOO) for Venoco's Cavern Point Unit, it would allow the company time to update and resubmit an Exploration Plan (EP) pursuant to 30 CFR §250.203, and to complete the interpretation and analysis of seismic data from previous surveys, and submit this information to MMS. MMS would conduct a technical review, comply with the National Environmental Policy Act (NEPA), and approve, require modification, or disapprove the EP.

Venoco's Need: Venoco needs MMS to grant a suspension for the Cavern Point Unit to allow time to conduct administrative activities to update and resubmit an EP, and to complete the interpretation and analysis of seismic data from previous surveys, and submit this information to MMS. This action would allow Venoco's EP to undergo an MMS technical and environmental review and decision process on the EP during the suspension period.

The proposed action meets both MMS's and Venoco's needs in this case.

Venoco's goal beyond the suspension period is two-fold (Venoco letter to MMS dated April 20, 2004):

¹ A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct leaseholding operations [Suspension of Operations (SOO)]." An SOO or SOP provides an extension of a lease in certain circumstances (see 30 CFR §250.172-175).

- to verify whether commercial oil and natural gas energy reserves exist in the unit, and
- to provide information regarding future development potential.

An EP and a Development and Production Plan (DPP) would each need to be approved by the MMS and reviewed by other appropriate Federal, State, and local agencies before these activities could occur.

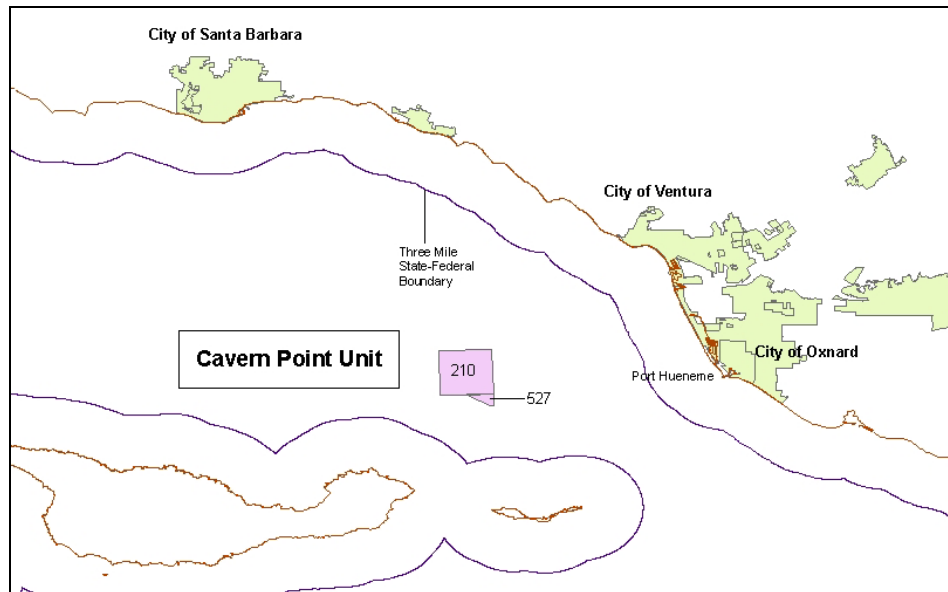


Figure 1-1. Venoco's Cavern Point Unit.

1.2 Background

Venoco's Leases OCS-P 0210 and 0527 were issued in Sale P-4 and Lease Sale 80, respectively. From March 1973 (for Lease OCS-P 0527, November 1989) through July 1990, the leases were part of the Santa Clara Unit. In 1990, they were re-unitized as the Cavern Point Unit, the only unexplored unit on the Pacific Outer Continental Shelf. The unit continued to be held through November 1999, by virtue of a series of suspensions, issued for a variety of reasons (e.g., reinterpretation of seismic data, permitting activities, etc.). A lengthy suspension ending in 1999 was directed by MMS for the development and completion of a multi-interest study (MMS, 1999) on the onshore consequences of offshore oil and gas development.

On May 14, 1999, Venoco submitted to MMS a request for an SOO for the Cavern Point Unit. The MMS granted a suspension on the Cavern Point Unit on November 12, 1999. Venoco submitted an EP for the Cavern Point Unit and subsequently made revisions to that document based on MMS comments. On June 4, 2001, the MMS deemed the Cavern Point Unit EP submitted. The November 1999 suspension decision was set aside as a result of the ruling by the Court in *California v. Norton* on June 20, 2001. As ordered by the Court, the MMS issued a directed SOO for the Cavern Point Unit. MMS stated that the directed SOO would terminate when the MMS acted on Venoco's suspension request of May 14, 1999. Venoco then withdrew the EP from review on July 3, 2001.

In July 2001, MMS offered Venoco an opportunity to update its May 1999 suspension request, which Venoco submitted on August 2, 2001. On March 10, 2004, in accordance with the Court Order, MMS required Venoco to submit updated information related to its suspension request. On April 20, 2004, Venoco submitted an updated request for a 13-month SOO.

2 Description of Alternatives Including the Proposed Action and Need for the Proposed Action

The following sections include a discussion of the proposed action and alternatives.

2.1 Alternative 1: Proposed Action—Grant Suspension

The MMS proposed action is to grant an SOO for 13 months to Venoco for the Cavern Point Unit. Assuming an MMS decision on the SOO in July 2005, the SOO would extend through August 2006; the ending date would change proportionately if a decision is made before or after July 2005. Granting the suspension would allow Venoco time to update and resubmit an EP, and to complete the interpretation and analysis of seismic data from previous surveys, and submit this information to MMS. No physical activities on the unit would occur during the suspension period.

2.1.1 Venoco's Suspension Request

In the current updated SOO request, dated April 20, 2004, Venoco requested a time period of 13 months to update and resubmit an EP and to complete the interpretation and analysis of seismic data from previous surveys, and submit this information to MMS. All of these activities would be completed by Venoco and/or their consultant(s) in an office setting and involve no physical activities on the offshore unit itself. The Venoco SOO request includes a reference to "begin EP Operations". However, on November 1, 2004, MMS notified Venoco that should MMS grant a suspension, the suspension period will not include any drilling operations (Appendix). Pursuant to 30 CFR 250.180, drilling is an activity that will hold the unit, and therefore, if drilling activity is occurring, a suspension is not needed. Of course, any such drilling can only occur pursuant to an approved plan and permit to drill, as provided in the regulations.

2.2 Alternative 2: Deny Suspension

Under the Deny Suspension alternative, MMS would deny the SOO for Venoco's Cavern Point Unit in the eastern Santa Barbara Channel. Adoption of this alternative would result in the expiration of the leases in the Cavern Point Unit. The need for the proposed action would not be achieved. However, this alternative is available only if the applicant fails to meet established requirements (30 CFR §250.172-175) for obtaining a lease extension.

2.3 Alternative 3: No Action

Under the No Action alternative, MMS would take no action on the SOO for Venoco's Cavern Point Unit in the eastern Santa Barbara Channel. Such action would be inconsistent with the Court Order in *California v. Norton* to implement a plan to prepare Consistency Determinations in contemplation of adjudicating the suspension requests. The need for the proposed action would not be achieved.

3 Scope of Environmental Analysis and Consultation and Coordination

3.1 Scope of Environmental Analysis

MMS determined that the temporal scope of the environmental analysis of the proposed action would encompass the 13-month time period during which Venoco would conduct certain administrative activities leading to the re-submission of an EP to the MMS pursuant to 30 CFR §250.203 for subsequent technical and environmental review and decision by the MMS during the suspension period. These activities are described above in Section 2.1.1. All of these activities would be completed by Venoco and/or their consultant(s) in an office setting and involve no physical activities on the unit itself. The SOO request is for 13-months and does not involve any impact-producing activities.

The OCSLA, as amended, provides a four-phased approach to accessing potential oil and gas operations on the Federal OCS: 1) program development, 2) lease sale, 3) exploration, and 4) development and production. At each phase, a NEPA document is prepared in accordance with NEPA, Council of Environmental Quality (CEQ) regulations, MMS regulations, and MMS NEPA compliance procedures. Subsequent to agency and public review and comment, the MMS must approve each phase before that activity may occur.

For the Cavern Point Unit, the suspension decision falls between steps 2 (lease sale) and 3 (exploration). The Cavern Point Unit EP would be reviewed under 30 CFR §250.203 by the MMS during the suspension period. In fact, for the Cavern Point Unit, prior to the operator's withdrawal of the EP following the June 2001 Court order, MMS prepared and circulated a draft EA of Venoco's planned exploration operations for review and comment. When the EP is resubmitted, the MMS would revise that draft EA based on the resubmitted EP and comments received on the 2001 draft EA, and circulate the revised draft EA for review.

Exploratory drilling occurs after the suspension period and could only occur if MMS and other appropriate agencies approve the EP, as necessary. If exploration results are favorable, development activity could only occur if a DPP were submitted by the operator, MMS conducts a review of the DPP under 30 CFR §250.204, and MMS approves the DPP. Both processes require NEPA review. Reviews would also be conducted, as needed, by the State of California, the California Coastal Commission (CCC), Ventura Air Pollution Control District, Ventura County Resource Management Agency, NOAA Fisheries, Channel Islands National Marine Sanctuary, Channel Islands National Park, U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, and U. S. Environmental Protection Agency.

3.2 Scoping Process

As part of the NEPA review process, MMS involved the public and various private and government agencies in the determining of the scope of the EA's for the suspension decisions. On July 21, 2004, MMS sent a public announcement (Appendix) concerning scoping for the EA's to 260 entities who previously expressed interest in the undeveloped leases. The mailing list included elected officials, Federal, State and local agencies, public interest groups and individuals. MMS also published the announcement at (<http://www.mms.gov/omm/pacific/index.htm>) and phoned key public agencies. The public scoping period ended on August 26, 2004 (which provided about 36 days for comment). A total of 129 public scoping comments were. The process also involved a review of past comments received on the undeveloped leases, including the CCC's August 5, 1999 concern that "changed circumstances and new information should be considered in evaluating environmental impacts..."

A number of issues were raised by Federal, State, and local agencies and the public with respect to the scope of analysis for the suspension decisions. Primarily, the comments focused on:

- Environmental impacts associated with exploration and development activities that would occur after the suspension period ends;
- Reasonably foreseeable and connected actions;
- Requests for MMS to prepare an Environmental Impact Statement to address the exploration and development activities;
- Requests that all the resources of the Channel Islands National Park be considered;
- Questions concerning the suspension process including diligence in developing the leases, the length of the suspensions, unitization, and whether the suspensions were

undertaken according to MMS regulations and the Court decision of June 20, 2001; and,

- Changed circumstances and new information should be considered in evaluating environmental impacts.

Additionally, several comments were received expressing support for the exploration, development, and production of oil and natural gas resources offshore southern California.

After MMS's review of the suspension request and the scoping comments received, MMS prepared this EA to determine if there would be any significant environmental impacts as a result of granting the SOO. Other activities, including potential exploration and development, were determined to be outside the scope of this analysis because these activities: 1) will not occur while the Unit is under suspension, and 2) require separate review and approval by MMS and other appropriate agencies before they may occur. Specifically, exploration or development activities cannot occur unless: 1) the operator submits a revised EP or DPP to MMS, 2) MMS completes technical and environmental reviews of the EP or DPP; and, 3) MMS and other appropriate State and Federal agencies review these activities and approve them as necessary. As stated previously, the need for granting the suspension is to allow the operator time to prepare and submit information needed by MMS and other agencies in order to conduct these reviews, and time for these reviews to occur.

3.3 Consultation and Coordination Process for Protected Species and Essential Fish Habitat

This section describes the consultation and coordination process that was conducted by MMS in preparing this EA. The process involved: (1) MMS initial coordination with Federal, State, and local agencies; and, (2) MMS Endangered Species Act and Essential Fish Habitat consultation with NOAA Fisheries and U.S. Fish and Wildlife Service (FWS).

Endangered Species Act and Marine Mammal Protection Act Consultation

The MMS conducted a telephone conversation on August 5, 2004, with Ms. Monica DeAngelis of NOAA Fisheries' Southwest Regional Office, Division of Protected Species to describe the proposed action and to convey its determination that the action is expected to have no effects on marine mammal and sea turtle species listed as endangered or threatened under the U.S. Endangered Species Act and that no marine mammals would be 'taken,' as defined by the Marine Mammal Protection Act. Since the proposed action is administrative, and does not involve any offshore activities, NOAA Fisheries concurred with the MMS conclusion.

Also on August 2, 2004, MMS contacted Mr. Greg Sanders at the U.S. Fish and Wildlife Service's Ventura Field Office (FWS) by telephone to describe the proposed action and to inform him of its determination that the action would not affect federally listed species under the purview of the Fish and Wildlife Service. Since the proposed action is administrative, and does not involve any offshore activities, FWS concurred with the MMS conclusion.

Essential Fish Habitat Consultation

On August 24, 2004, MMS contacted Mr. Bryant Chesney of NOAA Fisheries' Southwest Regional Office, Division of Habitat Conservation to describe the proposed action and to convey its determination that the action is expected to have no effects on species managed by the Pacific Fishery Management Council or on Essential Fish Habitat. Since the proposed action is administrative, and does not involve any offshore activities, NOAA Fisheries concurred with the MMS conclusion.

Federal Consistency

In compliance with CZMA §1456(c)(1) and its implementing regulations, and in compliance with the Court's Order of June 28, 2004, the MMS will provide the CCC with a Consistency Determination for the suspension decision for Venoco's Cavern Point Unit by April 6, 2005. MMS has had ongoing discussions with Ms. Alison Dettmer and Mr. Mark Delaplaine of the CCC concerning the MMS suspension decisions.

4 Environmental Impacts of Alternative 1: Proposed Action—Grant Suspension

The proposed action is for MMS to grant an SOO for Venoco's Cavern Point Unit. In the current updated SOO request, dated April 20, 2004, Venoco requested a time period of 13 months to update and resubmit an EP, and to complete the interpretation and analysis of seismic data from previous surveys and submit this information to MMS. These administrative activities would be completed by Venoco and/or their consultant(s) in an office setting. Since there are no physical activities on the offshore unit itself from the granting of the SOO, there would be no environmental impacts. MMS would submit Venoco's EP to a technical and environmental review and decision process during the suspension period. Drilling may only occur subsequent to the suspension period and if separate approval from MMS is received per the regulatory process governing EP's (30 CFR §250.203).

Since there are no environmental impacts, there is no incremental impact of the proposed action when added to existing cumulative impacts.

5 Environmental Impacts of Alternative 2: Deny Suspension

Under the Deny Suspension alternative, MMS would deny the SOO for Venoco's Cavern Point Unit only if the applicant fails to meet established requirements (30 CFR §250.172-175) for obtaining a lease extension. Adoption of this alternative would result in the expiration of the leases in Venoco's Cavern Point Unit in the eastern Santa Barbara Channel. No environmental impacts would result from the denial of the suspension.

6 Environmental Impacts of Alternative 3: No Action

Under the No Action alternative, MMS would take no action on the SOO for Venoco's Cavern Point Unit in the eastern Santa Barbara Channel. Such action would be inconsistent with the Court Order in *California v. Norton* to implement a plan to prepare Consistency Determinations in contemplation of adjudicating the suspension requests. No environmental impacts would occur under this alternative.

7 List of Preparers (in alphabetical order)

Joan Barminski	Chief, Office of Reservoir Evaluation and Production
Nollie Gildow-Owens	Program Analyst, Office of the Regional Manager
Maurice Hill	Environmental Coordinator, Office of Environmental Evaluation
John Lane	Chief, Environmental Analysis Section, Office of Environmental Evaluation
Drew Mayerson	Geophysicist, Office of Reservoir Evaluation and Production
David Panzer	Oceanographer, Office of Environmental Evaluation
Fred Piltz	Senior Environmental Scientist, Office of Environmental Evaluation
Allan Shareghi	Geologist, Office of Reservoir Evaluation and Production
John Smith	Physical Scientist, Office of Environmental Evaluation

8 References

MMS, 1999. California Offshore Oil and Gas Energy Resources Study. Prepared by Dames and Moore, OCS Report MMS No. 99-0043.

APPENDIX

1. Venoco, Inc. letter to MMS requesting suspension, dated April 20, 2004
2. MMS Public Announcement requesting scoping comments, dated July 21, 2004
3. MMS letter to Venoco, Inc. clarifying suspension action, dated November 1, 2004

VENOCO

INC.

5464 Carpinteria Ave., Suite J
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805.745.2100
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April 20, 2004

Peter Tweedt
Regional Manager
Minerals Management Service, Pacific Regional Office
770 Paseo Camarillo
Camarillo, CA 93010-6064



Dear Mr. Tweedt:

SUBJECT: CAVERN POINT UNIT; OCS LEASES P 0210 AND P 0527,
SANTA BARBARA CHANNEL, OFFSHORE CALIFORNIA
UPDATED REQUEST FOR PREVIOUSLY APPROVED
SUSPENSION OF OPERATIONS

Introduction

On November 12, 1999, the Minerals Management Service ("MMS") granted Venoco, Inc.'s ("Venoco") May 14, 1999 suspension of operations ("SOO") request for the Cavern Point Unit ("CPU"). As of June 20, 2001, Venoco had complied with all milestone activities set forth in MMS' approval letter that had arisen as of that date. However, on June 20, 2001, the federal district court for the Northern District of California held that, as a result of the 1990 amendments to the Coastal Zone Management Act ("CZMA"), MMS's grant of the November 1999 SOO was "subject to a consistency determination as a federal activity affecting the coastal zone" under CZMA § 307(c)(1), 16 U.S.C. § 1456(c)(1). *California v. Norton*, 150 F. Supp.2d 1046, 1053 (N.D. Cal. 2001) ("Norton case"), *aff'd*, 311 F.3d 1162 (9th Cir. 2002). Based on this ruling, Poseidon Petroleum, LLC ("Poseidon"), the owner of the CPU leases, joined by other lessees filed a breach of contract action against the United States in the U.S. Court of Federal Claims, *Amber Resources Co. v. United States*, No. 02-30C (the "Amber case").

Pursuant to the requirements of the *Norton* case, MMS on July 2, 2001, set aside its approval of the November 1999 suspension and directed a suspension of operations ("SOO") for the unit until MMS "has acted on" the suspension request for the unit.

On February 26, 2004, the California court in the *Norton* case ordered MMS to obtain "updated lease suspension applications from the lessees." By letter dated March 10, 2004, MMS directed that "in accordance with the Court's order and the requirements of 30 C.F.R. 250.171,

you must submit to the regional Manager, MMS Pacific Regional Office, updated information relating to your suspension request..."

This letter provides the updated information that MMS has instructed Venoco to submit. The information previously submitted in connection with the SOO granted in November 1999, which had been found by MMS to meet all of the requirements of 30 C.F.R. 250.171, remains effective, except as modified in this letter. This letter is submitted by and on behalf of Venoco, operator of the CPU leases, and Poseidon, 100% leasehold interest owner of those leases.¹

Venoco submits this information without waiving any rights of itself or Poseidon, and specifically without waiving any assertion that the application of the 1990 CZMA amendments to the CPU and other undeveloped offshore California leases constituted a material breach of those leases as asserted in the *Amber* case.

The "going forward" activities described in this update are based on the previously approved milestones that Venoco was prevented from completing as a result of the July 2001 SOO. Because Venoco has been barred from conducting any operations on the leases since July 2001, it has no new substantive information to report regarding its progress toward those milestones or the prospectivity of the CPU, beyond that contained in the May 1999 SOO request that MMS had already granted, and the quarterly progress reports that Venoco submitted pursuant to the November 1999 SOO. All of these documents are contained in MMS's files and are incorporated here by this reference.

Pursuant to MMS's direction, Venoco has updated the time-frames for accomplishing the outstanding milestones, in order to reflect current estimates for certain work and necessary equipment and permits in light of the cessation of ongoing activity that was necessitated by the June 20, 2001, court Order and the July 2, 2001 MMS-directed SOO.

Specifically, at the time of the July 2001 SOO, Venoco had submitted to MMS a revised Exploration Plan ("EP") for the CPU. Venoco had originally submitted a proposed EP to MMS in November 2000 as required by MMS's November 12, 1999 SOO approval letter, and had subsequently revised the EP in response to MMS comments. By letter dated June 4, 2001, MMS deemed the EP for the CPU submitted effective as of that date. In response to MMS's directed July 2001 SOO, however, Venoco withdrew the EP from consideration pursuant to an agreement with MMS (the "withdrawal agreement") dated July 3, 2001.

¹ For ease of reference, this letter will generally use the term "Venoco" to refer to both Venoco itself, as operator of the Cavern Point Unit, or Poseidon, as 100% leasehold owner, or both, as appropriate for the time period and activity discussed. Poseidon may be referred to individually in some instances.

In response to MMS's direction, Venoco estimates that it would require thirty (30) days from the effective date of MMS's re-approval of the "updated" SOO request to resubmit the EP for the CPU. We believe this time frame is consistent with the withdrawal agreement requirement that Venoco "promptly resubmit" the EP upon issuance of an SOO for the CPU, and have adjusted the previously approved work schedule accordingly. The date of subsequent activities would then be calculated based on the EP resubmittal date. For example, at the time the previously approved SOO was set aside in July 2001, ten months remained until Venoco was to submit its seismic interpretation, the next deliverable under the previously approved SOO. The enclosed schedule therefore provides that Venoco would resubmit its EP for the CPU thirty days after the SOO is re-approved, and would then submit its seismic interpretation ten months after resubmission of the EP. This thirty-day period after re-approval of the CPU SOO would be necessary to allow updating of the previously submitted EP, and is the direct result of withdrawal of the CPU EP in response to the July 2001 SOO. For purposes of this letter, we have assumed an SOO effective date of January 2005 (the attached schedule highlights the dates running from that assumed effective date).

Activities from November 1999 to June 2001

1. On February 29, 2000, Venoco timely submitted a Project Description for the CPU. Following review of the document by MMS, a revised Project Description was submitted on May 30, 2000 with additions and corrections in accordance with comments by MMS;
2. In May, June and July 2000, Venoco commenced the High Energy Seismic Survey ("HESS") permit application in preparation for completing a then-planned 3D seismic survey of the CPU, submitting a HESS-1 Form application to MMS on May 30, 2000, and holding two meetings required under HESS guidelines, the first on June 8, 2000 and the second on July 19, 2000. Venoco subsequently informed MMS by a letter dated November 17, 2000 that it no longer intended to perform the 3D seismic survey, but instead would acquire additional, newly discovered 2D data to supplement its interpretation of the CPU structure. MMS approved that change in scheduled activities by a letter to Venoco dated April 19, 2001;
3. In June and July 2000, Venoco submitted to MMS the following information and reports to supplement information contained in the CPU Project Description:
 - Air quality and expected emissions data (submitted June 23, 2000)
 - Information regarding consistency with the COOGER report (submitted June 23, 2000)
 - Cumulative impact data (submitted June 23, 2000)
 - Marine Wildlife Contingency Plan (submitted July 31, 2000)
 - Fisheries Plan (submitted July 31, 2000)
 - Worst-Case Oil Spill Calculations (submitted July 31, 2000)

4. On November 30 2000, Venoco submitted to MMS a proposed EP for the CPU. In December 2000, MMS advised Venoco of certain revisions or additions necessary in order for the EP to be deemed submitted;
5. In June 2001, MMS deemed the resubmitted EP for the CPU submitted effective June 4, 2001.

Going Forward Activities

Re-Submission of Exploration Plan

Venoco would update and resubmit its previously submitted EP for the CPU proposing to drill two exploration wells from an existing platform. The planned surface and bottom hole locations for the wells would be as stated in the previously submitted EP. The EP would articulate how the wells would be designed in order to verify whether commercial oil and gas reserves on the unit and to provide information regarding future development potential.

Expanded Interpretation of Seismic Data (Incorporating Additional Acquired Data)

Venoco would then complete the seismic data acquisition, interpretation and analysis as described in its November 17, 2000 letter to MMS and approved by MMS in its April 19, 2001 letter to Venoco. This reinterpretation would add additional detail to Venoco's current seismic interpretation prior to commencing the planned exploratory wells.

Proposed Exploratory Well OCS-P 0210 #1

The previously approved SOO request provided that Venoco would drill one extended reach exploration well from Platform Gail, which is located on the adjacent Santa Clara Unit, to the CPU during the SOO period. The previously submitted EP for the CPU also described an additional exploration well. For purposes of this letter, Venoco would drill at least one exploration well to test the Monterey formation (Well OCS-P 0210 #1, also referred to in the previously submitted EP as Well CP-1). As described in earlier submittals, Venoco would file an Application for Permit to Drill ("APD") with MMS. After the APD approval, a drilling rig would be contracted and mobilized to Platform Gail.

The precise timing of the well would depend on events leading up to the spud date that are within MMS control, namely the SOO re-approval date. Therefore, we provide the enclosed Table 1 to illustrate when the well could spud as a function of prerequisite activities.

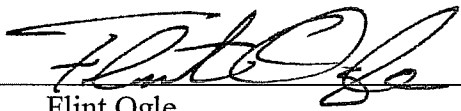
Please see the previously submitted Project Descriptions and EP (including the supporting information submitted with the EP) for the CPU for details of the well location,

proposed drilling and testing program, and a description of the proposed drilling equipment. Also please see the Fisheries Plan, Marine Wildlife Contingency Plan, Worst Case Oil Spill Calculation and other documents submitted to MMS during June and July of 2000.

The attached Table 1 – Cavern Point Unit Sliding Calendar indicates the dates on which the above activities would be performed as a function of the SOO re-approval date. The time frames are best estimates based on current knowledge.

Sincerely,

VENOCO, INC.

By: 
Flint Ogle
Attorney-in-Fact for Venoco, Inc.
Relative to Cavern Point Unit Matters

Attachments:

1. Table 1 – Cavern Point Unit Sliding Calendar
2. Attachment 1 – Cavern Point Unit Leases and Ownership
3. Attachment 2 – Cavern Point Unit Location
4. Attachment 3 – Cavern Point Unit Neighboring Leases

cc: Bruce Berwager
Burdette A. Ogle
Ronald G. Heck

Table 1 – Cavern Point Unit
Suspension of Production – Starting Date vs. Milestone Dates

SOO Starting Date	Resubmit Exploration Plan¹	Submit Seismic Data Interpretation²	Begin EP Operations³
October 2004	November 2004	September 2005	November 2005
November 2004	December 2004	October 2005	December 2005
December 2004	January 2005	November 2005	January 2006
January 2005	February 2005	December 2005	February 2006
February 2005	March 2005	January 2006	March 2006
March 2005	April 2005	February 2006	April 2006
April 2005	May 2005	March 2006	May 2006
May 2005	June 2005	April 2006	June 2006
June 2005	July 2005	May 2006	July 2006
July 2005	August 2005	June 2006	August 2006
August 2005	September 2005	July 2006	September 2006
September 2005	October 2005	August 2006	October 2006
October 2005	November 2005	September 2006	November 2006
November 2005	December 2005	October 2006	December 2006
December 2005	January 2006	November 2006	January 2007

¹ The CPU Exploration Plan would be resubmitted thirty (30) days after re-approval of the SOO.

² Venoco would submit its seismic data interpretation ten (10) months after resubmitting the CPU Exploration Plan.

³ Operations that are approved under the Exploration Plan would begin two (2) months after submitting the seismic data interpretation (twelve months after resubmitting the Exploration Plan).

Attachment 1

**CAVERN POINT UNIT
LEASES AND OWNERSHIP**

<u>LEASE</u>	<u>ACRES</u>	<u>DESCRIPTION*</u>	<u>ROYALTY</u>
OCS-P 0210	5,760.00	Block 47N-62W	16.66667%
OCS-P 0527	455.64	Block 46N-62W	12.50000%

* POCS Leasing Map No. 6B, Santa Barbara Channel

COMPANY

PERCENTAGE**

Poseidon Petroleum LLC

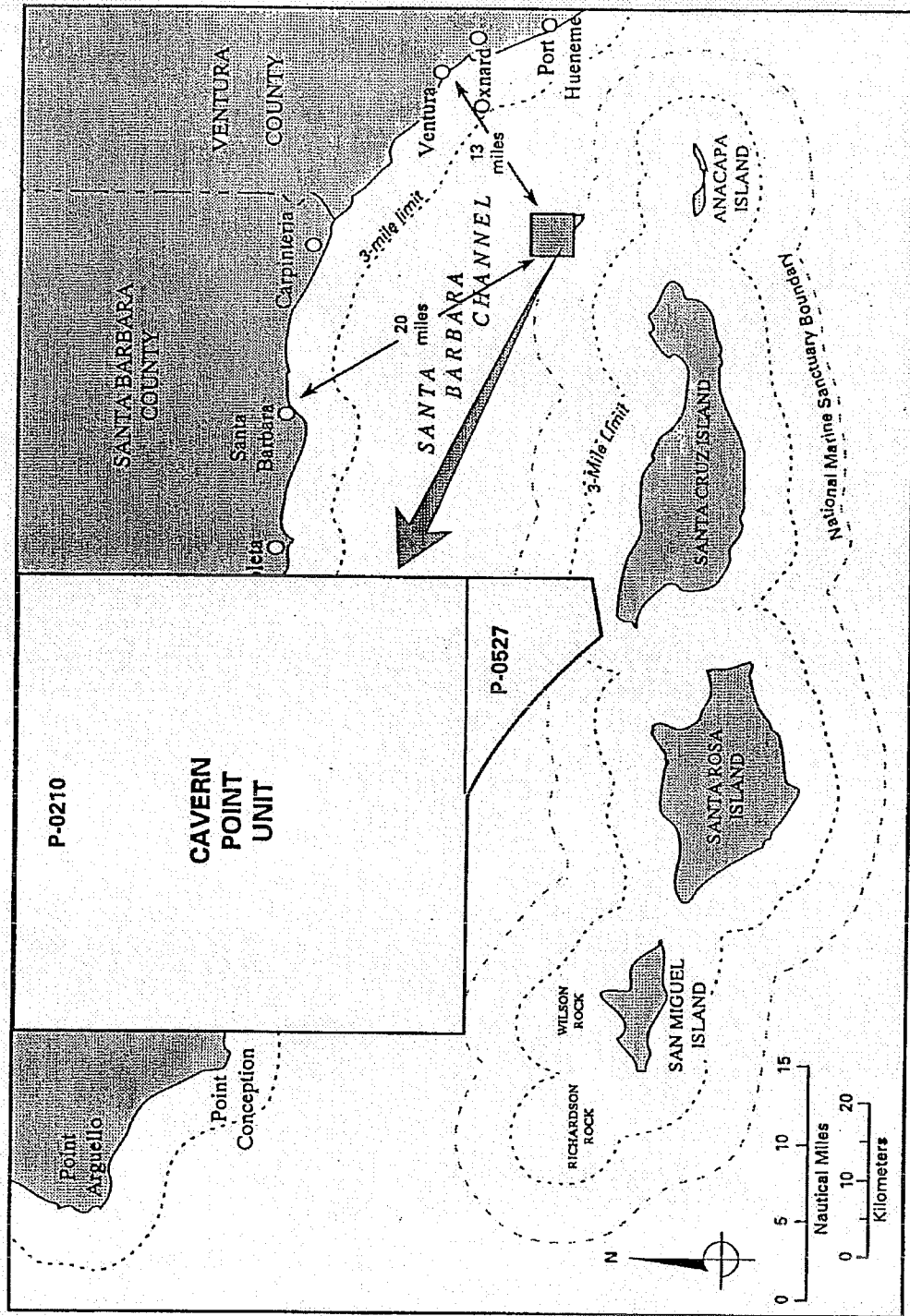
100%

** Ownership in the Cavern Point Unit leases is the same for both leases.

Venoco, Inc. is the designated operator.

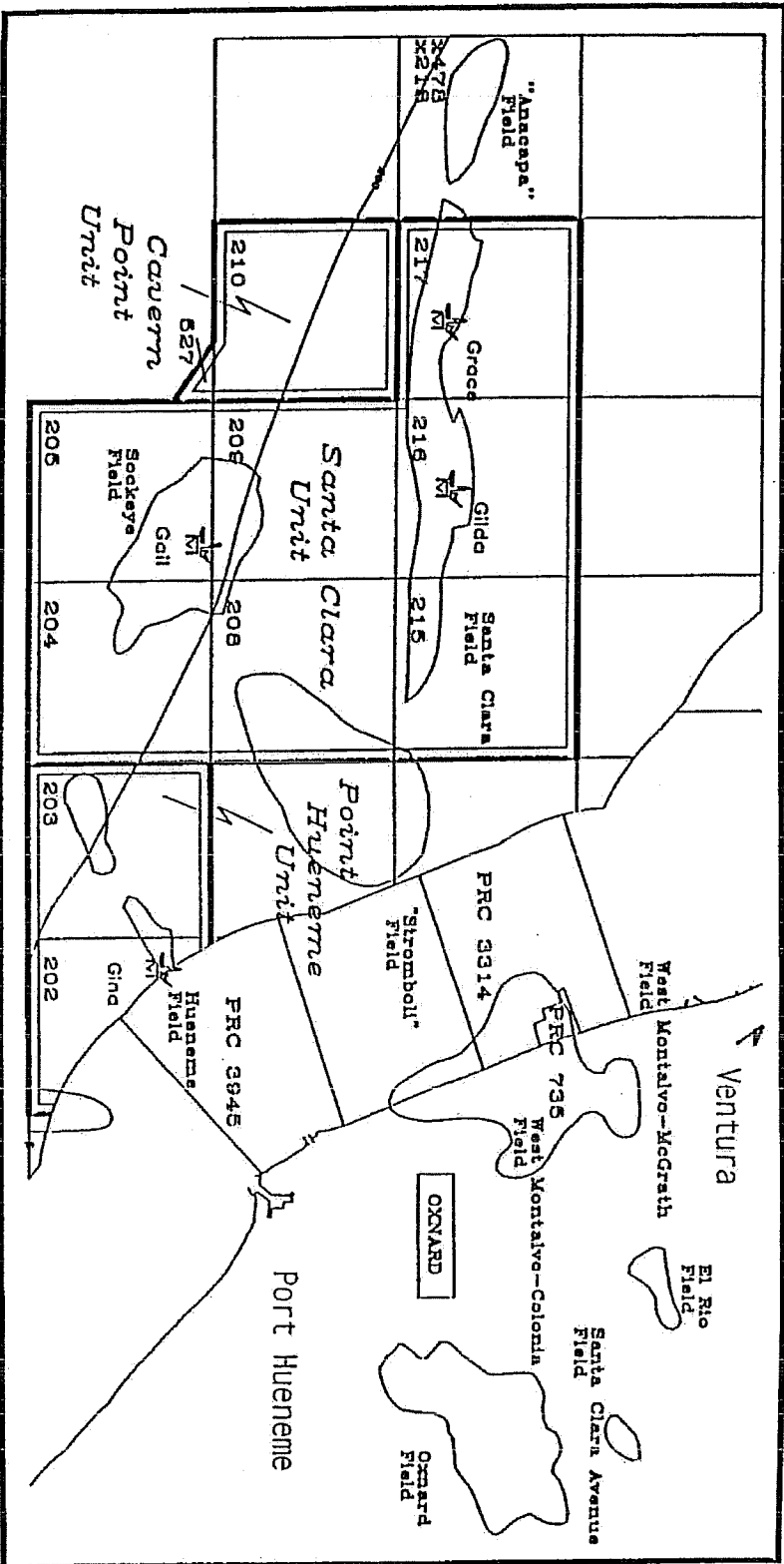
Attachment 2

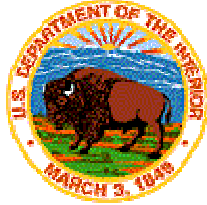
CAVERN POINT UNIT LOCATION



Attachment 3

CAVERN POINT UNIT - NEIGHBORING LEASES





**U. S. Department of the Interior
Minerals Management Service**



PUBLIC ANNOUNCEMENT

**Request for Scoping Comments
For Preparation of Environmental Assessments
For Granting Lease Suspensions on 36 Undeveloped OCS Leases
July 21, 2004**

Agency Action

On February 26, 2004, the Court in *California v. Norton*, No. 99-4964 (CW) N.D. Cal. ordered the Federal Defendants to propose a timetable for completing their analyses of applications for lease suspensions filed by the operators of 36 undeveloped leases offshore California, and submitting consistency determinations to the State of California under the Coastal Zone Management Act (CZMA). On June 28, 2004, the Court adopted the proposed timeline which included the time to prepare six environmental assessments to analyze the environmental impacts of granting the lease suspension requests.

The MMS action is to grant, deny, or take no action on each of the operator's suspension requests. A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct lease holding operations [Suspension of Operations (SOO)]." A suspension provides an extension of a lease in certain circumstances (see 30 CFR 250.172-175). In certain instances, operators have proposed to conduct geohazards or other surveys to assist in the preparation of their revised Exploration Plans. These surveys will be addressed in the EAs that MMS is preparing and would be conducted after the suspension is granted. The granting of a suspension will not authorize any exploration or development and production operations.

Description of the Suspension Requests and Location of the 36 Undeveloped Leases

Refer to the table and maps on the following pages.

NEPA Process and Public Scoping

Under the National Environmental Policy Act (NEPA) (42 U.S.C. 4321 *et seq.*) an Environmental Assessment (EA) serves as an information document for government decision makers and the public. The purpose of an EA is to: help decision makers base their decision on an understanding of environmental consequences; identify ways that environmental effects can be mitigated or avoided; identify alternatives that would avoid or reduce effects to the environment by requiring changes in the proposal when feasible; and to disclose to the public the environmental information and analyses upon which Federal decisions will be based.

Scoping is the process used to help determine the appropriate content of an EA. Public input is an important part of the scoping process. The purpose of soliciting input is to properly identify as many relevant issues, alternatives, mitigation measures, and analytical tools as possible so they may be incorporated into the EA. The scoping comments assist in determining the breadth and depth of the analysis.

Based on the information received during the initial scoping effort and other information, such as the location of sensitive natural resources, time of year, projected oil and gas activity, alternatives to the proposal are identified that might reduce possible impacts. In addition, reasonable mitigation measures that could reduce or eliminate possible impacts are considered for analysis in the EA.

Detailed information concerning NEPA may be found at <http://ceq.eh.doe.gov/nepa/nepanet.htm>. Frequently asked questions about compliance with the National Environmental Policy Act (NEPA) are provided at <http://www.epa.gov/compliance/resources/faqs/nepa/index.html>.

MMS's Environmental Assessment (EA) Preparation Schedule

1. Public Scoping Comments Due: 8/26/2004
2. Draft EAs Available for Public Comment: 11/17/2004
3. Draft EAs' Public Comment Period Closes: 12/16/2004
4. MMS Finalizes EAs: 2/13/2005

Submittal of Scoping Comments

Comments may be sent to MMS by email or by mail and must be received by MMS no later than **August 26, 2004**. All comments should include the name and mailing address of the person commenting. It is the practice of MMS to make comments, including names and home addresses of respondents, part of the public record. Individual respondents may request that we withhold their home address and/or identity from the record. We will honor such requests to the extent allowable by law. If you wish for us to withhold your name and/or address, you must state this prominently at the beginning of your comments. We will not consider any anonymous comments.

All interested persons, organizations and agencies wishing to provide scoping comments on the proposed actions may do so by sending them in time to reach MMS by **August 26, 2004** to the appropriate address below:

By Email: Suspension-EA@mms.gov

By Mail: **Minerals Management Service**
 Attn: Suspension – EA Comments
 Office of Environmental Evaluation
 770 Paseo Camarillo
 Camarillo, CA 93010-6064

The Draft EAs will be available for public review starting **November 17, 2004**. Draft EAs will be mailed to government agencies and elected officials. A digital copy will be posted on the MMS, Pacific Region homepage (<http://www.mms.gov/omm/pacific/>). Members of the public, who are not able to access the Region's website, and want to receive the Draft EAs, need to submit a written request to MMS at the mailing address given above. Requests for copies of the Draft EAs should specify whether "paper" or "CD" copy is preferred.

FOR FURTHER INFORMATION: Questions concerning the Draft EAs should be directed to Mr. Maurice Hill, Office of Environmental Evaluation, Pacific OCS Region, Minerals Management Service, 770 Paseo Camarillo, Camarillo, California 93010-6064; phone 805.389.7815.

Questions concerning the operators' suspension requests should be directed to Ms. Joan Barminski, Office Reservoir Evaluation and Production, Pacific OCS Region, Minerals Management Service, 770 Paseo Camarillo, Camarillo, California 93010-6064; phone 805.389.7707.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
LEASE 409 – Not unitized. Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . No activities, during the suspension period, on Lease OCS-P 0409, would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
LION ROCK UNIT / LEASES OCS-P 0396, 0397, 0402, 0403, 0408, 0414 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . No activities, during the suspension period, on the Lion Rock Unit, would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
PURISIMA POINT UNIT / LEASES OCS-P 0426, 0427, 0432, 0435 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . During the suspension period, Aera would conduct high resolution geophysical surveys to look for archaeological resources and geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. Aera would plan the surveys for the Fall of the year following approval of their suspension request ² . Aera is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Aera would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The archaeological remote sensing survey could involve the use of side scan sonar, sub-bottom profilers, magnetometer, and recording fathometer. The surveys for the Purisima Point and Pt. Sal Units would be done together. The estimated time to collect the shallow hazards and archaeological data will be approximately 13 days with good weather. Additionally, the ROV biological survey is estimated to take approximately 5 days with good weather. During the suspension period, Aera would submit revisions to their previously approved Exploration Plan for the leases in the Purisima Point Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Aera's offices.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit

¹ Aera provided a range of suspension lengths because the actual approval date for their request is unknown at this time and because preliminary activities on the Pt. Sal and Purisima Pt. Units require offshore surveys that need to be scheduled to avoid conflicts with marine mammal migration, fishing seasons, and rough weather. If MMS grants their suspension, it would not be for a range of dates; it would be for a finite length.

² Aera would plan the surveys for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
POINT SAL UNIT / LEASES OCS-P 0415, 0416, 0421, and 0422 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 20 to 31 months, depending on the date of approval ¹ . During the suspension period, Aera would conduct high resolution geophysical surveys to look for archaeological resources and geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. Aera would plan the surveys for the Fall of the year following approval of their suspension application ² . Aera is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Aera would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The archaeological remote sensing survey could involve the use of side scan sonar, sub-bottom profilers, magnetometer, and recording fathometer. The surveys for the Pt. Sal and Purisima Point Units would be done together. The estimated time to collect the shallow hazards and archaeological data will be approximately 13 days with good weather. Additionally, the estimated time for the ROV biological survey will be approximately 5 days with good weather. During the suspension period, Aera would submit revisions to their previously approved Exploration Plan for leases in the Point Sal Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Aera's offices.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
SANTA MARIA UNIT / LEASES OCS-P 0425, 0430, 0431, 0433, and 0434 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date of approval ¹ . No activities, during the suspension period, on the Santa Maria Unit would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
BONITO UNIT / LEASES OCS-P 0443, 0445, 0446, 0449, 0499 and 0500 Operator: NUEVO ENERGY CO.	Nuevo has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Nuevo has requested a suspension of 10 or 17 months ³ . Nuevo may propose to drill delineation wells from an existing platform in the Point Arguello Field. However, if Nuevo decides to conduct delineation drilling from a Mobile Offshore Drilling Unit, then they would be required to conduct high resolution geophysical surveys to look for geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. These surveys would occur during the suspension period. Nuevo is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Nuevo would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The estimated time to collect the data will be approximately 7 days with good weather. Additionally, the ROV biological survey is estimated to take about 5	MMS will prepare an Environmental Assessment for the Bonito Unit.

1 Aera provided a range of suspension lengths because the actual approval date for their request is unknown at this time and because preliminary activities on the Pt. Sal and Purisima Pt. Units require offshore surveys that need to be scheduled to avoid conflicts with marine mammal migration, fishing seasons, and rough weather. If MMS approves their suspension, it would not be for a range of dates; it would be for a finite length.

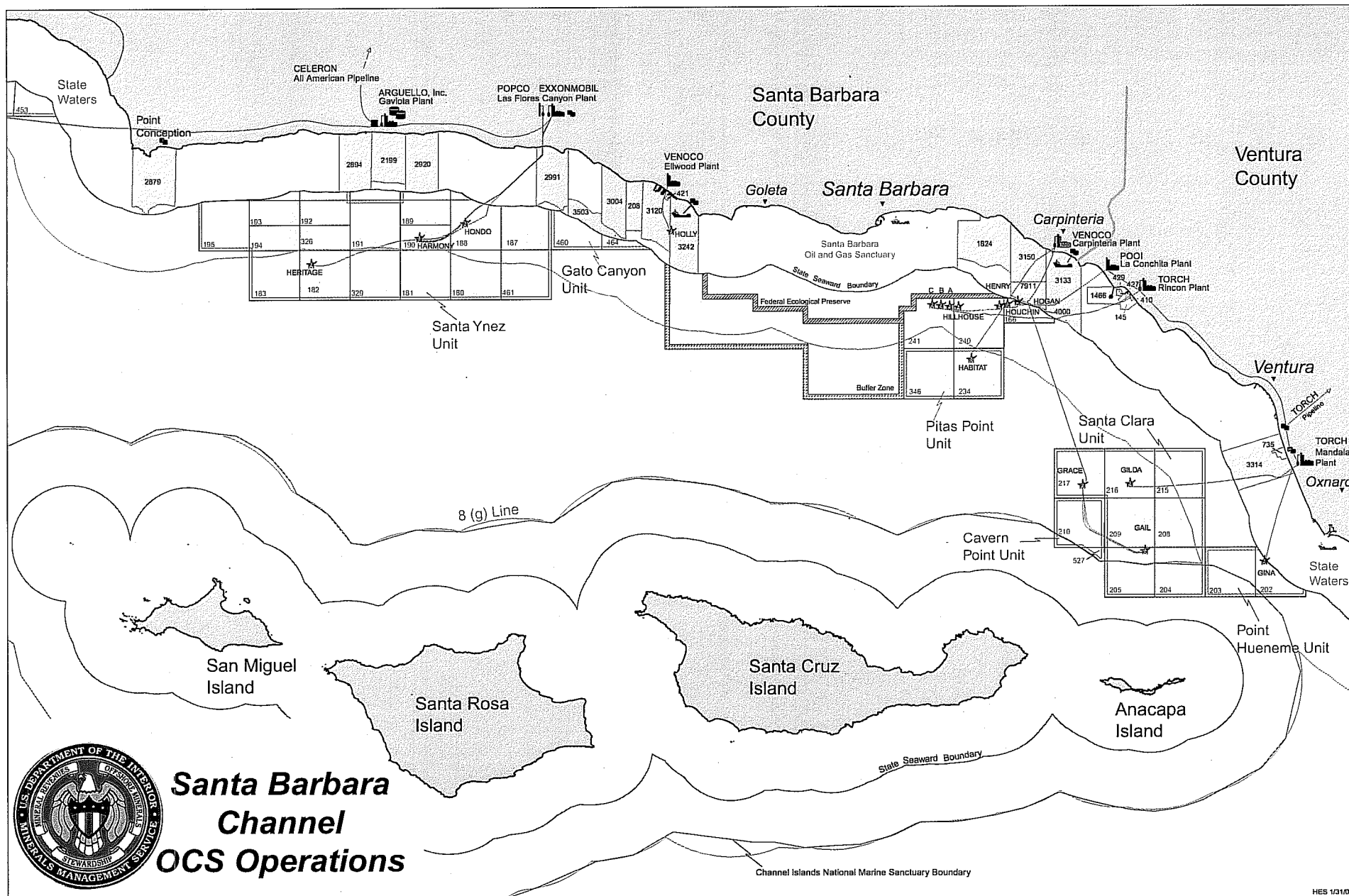
2 Aera would plan the surveys for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.

3 At the present time, Nuevo is undecided as to whether to bring in a Mobile Offshore Drilling Unit (MODU) to drill delineation wells after the suspension period ends, necessitating a 17 month suspension, or to proceed to development from the existing facilities at the Point Arguello Field, necessitating a 10 month suspension. Therefore, their proposed activities during the suspension period differ, depending upon the alternative eventually decided upon.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
		<p>days with good weather. If Nuevo decides to drill from the existing facilities in the Point Arguello Field, then geophysical and biological surveys are not required.</p> <p>Nuevo would also submit revisions to their previously approved Exploration Plan. Preparation of revisions to the Exploration Plan for leases in this Unit is an administrative activity that would be completed at Nuevo's offices.</p>	
ROCKY POINT UNIT / LEASES OCS-P 0452 and 0453 Operator: ARGUELLO INC.	Arguello Inc. has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Arguello Inc. has requested a suspension of 30 months. During the suspension period, Arguello Inc. would submit revisions to their previously approved Development and Production Plan for the Point Arguello Unit. Preparation of revisions to the Development and Production Plan for this Unit is an administrative activity that would be completed at Arguello Inc's offices. No activities, during the suspension period, on the Rocky Point Unit, would be conducted in the offshore area.	MMS will prepare an Environmental Assessment for the Rocky Point Unit.
SWORD UNIT / LEASES OCS-P 0319, P 0320, P 0322, P 0323A Operator: SAMEDAN OIL CORP.	Samedan. has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Samedan has requested a suspension of 25 months. During the suspension period, Samedan would submit revisions to their previously approved Exploration Plan for the Sword Unit. Preparation of a revised Exploration Plan for this Unit is an administrative activity that would be completed at Samedan's offices. No activities, during the suspension period, on the Sword Unit, would be conducted in the offshore area.	MMS will prepare an Environmental Assessment for the Sword Unit.
GATO CANYON UNIT / LEASES OCS-P 0460 and 0464 Operator: SAMEDAN OIL CORP.	Samedan has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Samedan has requested a suspension of 31 months. During the suspension period, Samedan would conduct high resolution geophysical surveys to look for geohazards on the Unit. Samedan would plan the surveys for the Fall of the year following approval of their suspension application ¹ . Samedan is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Samedan would use a multi-spectral suite of acoustic reflection profiling systems, which may include a sub-bottom profiler, boomer system, and small air gun array. The estimated time to collect the data will be approximately 7 days with good weather. During the suspension period, Samedan would submit revisions to their previously approved Exploration Plan for the Gato Canyon Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Samedan's offices.	MMS will prepare an Environmental Assessment for the Gato Canyon Unit.
CAVERN POINT UNIT / LEASES OCS-P 0210 and 0527 Operator: VENOCO INC.	Venoco. has requested a Suspension of Operations pursuant to 30 CFR 250.171. A Suspension of Operations is defined as a deferral of the requirement to conduct leaseholding operations. (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Venoco has requested a suspension of 13 months. During the suspension period, Venoco Inc. would submit an Exploration Plan for the Cavern Point Unit. Preparation of an Exploration Plan for this Unit is an administrative activity that would be completed at Venoco's offices. No activities, during the suspension period, on the Cavern Point Unit, would be conducted in the offshore area.	MMS will prepare an Environmental Assessment for the Cavern Point Unit.

¹ Geophysical surveys would be planned for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.



Santa Barbara Channel OCS Operations

Lion Rock Unit

8 (g) Line

State Waters

TOSCO/Santa Maria

San Luis Obispo County

Santa Maria

Orcutt

Point Sal

Purissima Point Unit

Vandenberg Air Force Base

State Waters

TORCH/Lompoc

Santa Maria Unit

Surf

Lompoc

Point Pedernales Unit

Tranquillon Ridge Unit

Santa Barbara County

Point Arguello

Bonito Unit

Rocky Point Unit

HIDALGO

HERMOSA

Point Arguello Unit

Point Conception

State Waters

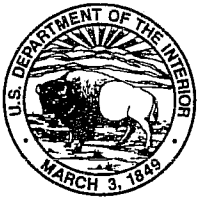
Sword Unit

8 (g) Line

195



Santa Maria Basin OCS Operations



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Pacific OCS Region
770 Paseo Camarillo
Camarillo, California 93010-6064

7100

November 1, 2004

CERTIFIED MAIL
Return Receipt Requested

Mr. Flint Ogle
Attorney-in-Fact
Venoco, Inc.
5464 Carpinteria Avenue
Suite J
Carpinteria, California 93013-1423

Re: Updated Suspension of Operations Request
Cavern Point Unit
Offshore California

Dear Mr. Ogle:

In your updated suspension request letter of April 20, 2004, you stated that Venoco would drill one exploration well in the Cavern Point Unit during the suspension period. We are writing to clarify that, should a suspension of operations be granted, the suspension period will not include any drilling operations. Pursuant to 30 CFR 250.180, ~~drilling is an activity that will hold the unit, and therefore, if drilling activity is occurring,~~ a suspension is not needed. Of course, any such drilling can only occur pursuant to an approved plan and permit to drill, as provided for in the regulations.

If you have any questions in this regard, please contact Joan Barminski at (805) 389-7707 or Allan Shareghi at (805) 389-7704.

Sincerely,

Peter Tweedt
Regional Manager